

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name JAMES TOWNSHIP	County SAGINAW
Audit Date 3/31/05	Opinion Date 5/12/05	Date Accountant Report Submitted to State: 6/16/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY, CPAS			
Street Address 60 HARROW LANE		City SAGINAW	State MI
		ZIP 48603	
Accountant Signature <i>Kenneth A. Berthiaume</i>			Date 6/16/05

JAMES TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2005

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of	
Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	8
<i>Proprietary Funds:</i>	
Statement of Net Assets.....	9
Statement of Revenues, Expenses, and Changes in Net Assets.....	10
Statement of Cash Flows.....	11
<i>Fiduciary Funds</i>	
Statement of Net Assets.....	12
Notes to Financial Statements.....	14
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	27
Other Supplemental Information:	
<i>General Fund:</i>	
Detailed Schedule of Revenues	29
Detailed Schedule of Expenditures	30
<i>Fiduciary Funds:</i>	
Combining Statement of Changes in Assets and Liabilities	34
Management Letter	35

**BERTHIAUME
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Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
James Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of James Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of James Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of James Township, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise James Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of April 1, 2004.

Berthiaume & Co.

May 12, 2005

BASIC FINANCIAL STATEMENTS

JAMES TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2005

	<i>Primary Government</i>		
	<i>Governmental</i>	<i>Business-type</i>	
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 1,448,876	\$ 881,073	\$ 2,329,949
Receivables	123,622	37,230	160,852
Internal balances	19,138	(19,138)	-
Prepaid items and other assets	8,944	-	8,944
Investment in joint venture	-	51,126	51,126
Capital assets:			
Nondepreciable capital assets	25,870	-	25,870
Depreciable capital assets, net	551,590	233,390	784,980
 Total assets	 2,178,040	 1,183,681	 3,361,721
Liabilities:			
Accounts payable and accrued expenses	30,098	18,301	48,399
Long-term liabilities:			
Due within one year	12,775	-	12,775
Due in more than one year	98,490	-	98,490
 Total liabilities	 141,363	 18,301	 159,664
Net assets:			
Invested in capital assets, net of related debt	466,195	233,390	699,585
Restricted for:			
Investment in joint venture	-	51,126	51,126
Unrestricted	1,570,482	880,864	2,451,346
 Total net assets	 \$ 2,036,677	 \$ 1,165,380	 \$ 3,202,057

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

		<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Net</u>
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>(Expense)</u>
			<u>Contributions</u>	<u>Revenue</u>
Functions/Programs				
PRIMARY GOVERNMENT:				
<i>Governmental activities:</i>				
General government	\$ 120,600	\$ 12,090	\$ -	\$ (108,510)
Public safety	100,692	10,386	531	(89,775)
Public works	105,222	98,375	5,338	(1,509)
Community and economic development	12,132	2,260	-	(9,872)
Recreation and culture	9,157	-	-	(9,157)
Interest on long-term debt	5,280	-	-	(5,280)
	<u>353,083</u>	<u>123,111</u>	<u>5,869</u>	<u>(224,103)</u>
<i>Business-type activities:</i>				
Water	<u>221,899</u>	<u>224,819</u>	<u>-</u>	<u>2,920</u>
	<u>221,899</u>	<u>224,819</u>	<u>-</u>	<u>2,920</u>
Total primary government	<u>\$ 574,982</u>	<u>\$ 347,930</u>	<u>\$ 5,869</u>	<u>\$ (221,183)</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>		
	<i>Governmental</i>	<i>Business-</i>	
	<i>Activities</i>	<i>type</i>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (224,103)	\$ 2,920	\$ (221,183)
<i>General revenues:</i>			
Taxes:			
Property taxes, levied for general purpose	54,154	-	54,154
Property taxes, levied for fire protection	43,721	-	43,721
Franchise taxes	9,547	-	9,547
Grants and contributions not restricted to specific programs	141,472	-	141,472
Unrestricted investment earnings	15,617	9,169	24,786
Miscellaneous	<u>100</u>	<u>-</u>	<u>100</u>
Total general revenues	<u>264,611</u>	<u>9,169</u>	<u>273,780</u>
Change in net assets	40,508	12,089	52,597
Net assets, beginning of year	<u>1,996,169</u>	<u>868,775</u>	<u>2,864,944</u>
Net assets, end of year	<u>\$ 2,036,677</u>	<u>\$ 880,864</u>	<u>\$ 2,917,541</u>

JAMES TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	<u><i>General Fund</i></u>
Assets:	
Cash and cash equivalents	\$ 1,448,876
Taxes receivable	102,664
Due from other governmental units	20,958
Due from other funds	19,138
Prepaid expenditures	<u>8,944</u>
 Total assets	 <u><u>\$ 1,600,580</u></u>
 Liabilities and Fund Balance:	
Liabilities:	
Accounts payable and accrued expenses	\$ 25,304
Deposits payable	<u>4,794</u>
 Total liabilities	 <u>30,098</u>
 Fund balance:	
Reserved for:	
Prepaid expenditures	8,944
Unreserved:	
General fund	<u>1,561,538</u>
 Total fund balance	 <u>1,570,482</u>
 Total liabilities and fund balance	 <u><u>\$ 1,600,580</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2005

Total fund balances for governmental funds \$ 1,570,482

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,135,908	
Less accumulated depreciation	<u>(558,448)</u>	577,460

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Contracts payable	<u>(111,265)</u>
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Net assets of governmental activities \$ 2,036,677

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2005

	<u>General Fund</u>
Revenues:	
Taxes	\$ 97,875
Licenses and permits	20,067
State grants	143,595
Charges from services	100,635
Fines and forfeits	36
Interest and rents	27,537
Other revenue	<u>3,846</u>
Total revenues	<u>393,591</u>
Expenditures:	
Current:	
General government	109,381
Public safety	63,575
Public works	105,222
Community and economic development	12,028
Recreation and culture	7,579
Other	496
Capital outlay	20,390
Debt service	
Principal	11,931
Interest and charges	<u>5,533</u>
Total expenditures	<u>336,135</u>
Excess (deficiency) of revenues over expenditures	<u>57,456</u>
Net change in fund balances	57,456
Fund balance, beginning of year	<u>1,513,026</u>
Fund balance, end of year	<u>\$ 1,570,482</u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2005

Net change in fund balances - total governmental funds \$ 57,456

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	15,320	
Less depreciation expense	<u>(44,452)</u>	(29,132)

Repayments of principal on contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 12,184

Change in net assets of governmental activities \$ 40,508

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

March 31, 2005

	<u>Water Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 881,073
Accounts receivable	<u>37,230</u>
Total current assets	<u>918,303</u>
Noncurrent assets:	
Investment in joint venture	51,126
Capital assets:	
Depreciable capital assets, net	<u>233,390</u>
Total noncurrent assets	<u>284,516</u>
Total assets	<u>1,202,819</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	18,301
Due to other funds	<u>19,138</u>
Total current liabilities	<u>37,439</u>
Total liabilities	<u>37,439</u>
Net assets:	
Invested in capital assets, net of related debt	233,390
Restricted for:	
Investment in joint venture	51,126
Unrestricted	<u>880,864</u>
Total net assets	<u>\$ 1,165,380</u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Year Ended March 31, 2005

	<u><i>Water Fund</i></u>
Operating revenues:	
Charges for services	\$ 224,819
 Total operating revenues	 <u>224,819</u>
 Operating expenses:	
Personnel	64,800
Fringe benefits	5,267
Supplies	1,305
Contracted services	2,189
Purchase of water	90,838
Telephone	716
Dues and membership fees	315
Insurance	5,377
Repair and maintenance	22,568
Other services and supplies	4,872
Depreciation	<u>23,652</u>
 Total operating expenses	 <u>221,899</u>
 Operating income (loss)	 <u>2,920</u>
 Non-operating revenues (expenses):	
Interest income	<u>9,169</u>
 Total non-operating revenues (expenses)	 <u>9,169</u>
 Net income (loss)	 <u>12,089</u>
 Net assets, beginning of year	 <u>1,153,291</u>
 Net assets, end of year	 <u><u>\$ 1,165,380</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended March 31, 2005

	<u>Water Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 223,612
Cash payments to employees	(64,800)
Cash payments to suppliers for goods and services	<u>(132,955)</u>
Net cash provided by operating activities	<u>25,857</u>
Cash flows from investing activities:	
Proceeds from sale of investments	249,354
Interest received	<u>9,169</u>
Net cash provided by investing activities	<u>258,523</u>
Net increase in cash and cash equivalents	<u>284,380</u>
Cash and cash equivalents, beginning of year	<u>596,693</u>
Cash and cash equivalents, end of year	<u><u>\$ 881,073</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 2,920
Adjustments	
Depreciation	23,652
Change in assets and liabilities	
Accounts receivable	(1,207)
Due from other funds	23
Increase (decrease) in current liabilities	
Accounts payable and accrued expenses	492
Due to other funds	<u>(23)</u>
Net cash provided (used) by operating activities	<u><u>\$ 25,857</u></u>

The accompanying notes are an integral part of these financial statements.

JAMES TOWNSHIP

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 88,247
 Total assets	 <u>88,247</u>
Liabilities:	
Accounts payable	87,685
Due to other governmental units	<u>562</u>
 Total liabilities	 <u>88,247</u>
Net Assets:	
Unrestricted	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of James Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Venture – The Township is a member of an intergovernmental agreement to operate a joint water authority with Swan Creek Township and the Village of St. Charles. The Township appoints two members to the joint water authority's governing board. The operating and capital budgets are funded by equal contributions from each government. Each government's share of assets, liabilities, and fund equity is thirty-three percent.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The ***General Fund*** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The Township reports the following major enterprise fund:

The ***Water Fund*** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-40 years
Equipment	5-15 years
Furniture and equipment	5-10 years
Site improvements	20 years
Vehicles	20 years

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2004 taxable valuation of the Township totaled \$44,708.714, on which ad valorem taxes levied consisted of .9122 mills for the Township's operating purposes and .9753 mills for fire protection services.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2004, as restated	\$ -
Current year building permit revenue	10,350
Related expenditures:	
Direct costs	<u>10,785</u>
Cumulative surplus at March 31, 2005	<u>\$ -</u>

NOTE 3: DEPOSITS AND INVESTMENTS

The Township's deposits at March 31, 2005 are included in the statement of net assets under the following categories:

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total Primary</u></i> <i><u>Government</u></i>
Cash and cash equivalents	\$ <u>1,448,876</u>	\$ <u>881,073</u>	\$ <u>2,329,949</u>

Deposits:

The breakdown in deposits for the Township is as follows:

	<i><u>Primary</u></i> <i><u>Government</u></i>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ <u>2,329,949</u>

The deposits of the primary government were reflected in the accounts of financial institutions (without recognition of checks written but not yet cleared or of deposits in transit) at \$2,337,389, of which \$105,429 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amount of cash deposits and the limits of the FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk each institution; only those institutions with an acceptable estimated risk level are used as depositories.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

Investments:

State statutes authorize the Township to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Township.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Township or its agent in the Township's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At March 31, 2005, the Township had no investments.

NOTE 4: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2005 was as follows:

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 25,870	\$ -	\$ -	\$ 25,870
Depreciable capital assets:				
Buildings and improvements	368,761	15,320	-	384,081
Equipment	182,400	-	-	182,400
Furniture and equipment	42,157	-	-	42,157
Site improvements	4,500	-	-	4,500
Vehicles	496,900	-	-	496,900
	<u>1,094,718</u>	<u>15,320</u>	<u>-</u>	<u>1,110,038</u>
Total capital assets	<u>1,120,588</u>	<u>15,320</u>	<u>-</u>	<u>1,135,908</u>
Accumulated depreciation	<u>(513,996)</u>	<u>(44,452)</u>	<u>-</u>	<u>(558,448)</u>
Depreciable capital assets, net	<u>580,722</u>	<u>(29,132)</u>	<u>-</u>	<u>551,590</u>
Governmental activities, capital assets, net	<u>\$ 606,592</u>	<u>\$ (29,132)</u>	<u>\$ -</u>	<u>\$ 577,460</u>

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-type activities:				
Depreciable capital assets				
Buildings and improvements	\$ 80,867	\$ -	\$ -	\$ 80,867
Equipment	18,973	-	(1,437)	17,536
Distribution system	818,804	-	-	818,804
Total capital assets	918,644	-	(1,437)	917,207
Accumulated depreciation	(661,602)	(23,652)	1,437	(683,817)
Depreciable capital assets, net	257,042	(23,652)	-	233,390
Business-type activities, capital assets, net	<u>\$ 257,042</u>	<u>\$ (23,652)</u>	<u>\$ -</u>	<u>\$ 233,390</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 7,702
Public safety	36,325
Recreation and culture	<u>425</u>
Total governmental activities	<u>\$ 44,452</u>
Business-type activities:	
Water	<u>\$ 23,652</u>
Total business-type activities	<u>\$ 23,652</u>

NOTE 5: LONG-TERM LIABILITIES

The Township has an installment contract with Community State Bank outstanding as of March 31, 2005 that was used for the purchase of equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

Long-term liabilities at March 31, 2005 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Loan Amount</u>	<u>Outstanding at Year-End</u>
<u>Governmental Activities</u>					
<u>General Obligation Bonds:</u>					
2003 Loan - Installment Contract	9/30/12	4.4%	\$8,855-16,626	\$ 140,451	\$ 111,265

The following is a summary of long-term liabilities transactions for the year ended March 31, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
2003 Loan	\$ 123,449	\$ -	\$ (12,184)	\$ 111,265	\$ 12,775
Total governmental activities					
- long-term liabilities	<u>\$ 123,449</u>	<u>\$ -</u>	<u>\$ (12,184)</u>	<u>\$ 111,265</u>	<u>\$ 12,775</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		
<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 12,775	\$ 4,640	\$ 17,415
2007	13,348	4,067	17,415
2008	13,948	3,467	17,415
2009	14,574	2,841	17,415
2010	15,228	2,187	17,415
2011-2013	<u>41,392</u>	<u>2,408</u>	<u>43,800</u>
	<u>\$ 111,265</u>	<u>\$ 19,610</u>	<u>\$ 130,875</u>

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables:		
Taxes	\$ 102,664	\$ -
Accounts	-	37,230
Intergovernmental	<u>20,958</u>	<u>-</u>
Total receivables	<u>\$ 123,622</u>	<u>\$ 37,230</u>
Accounts payable and accrued expenses:		
Accounts	\$ 13,724	\$ 7,502
Payroll and related liabilities	11,580	10,799
Deposits payable	<u>4,794</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 30,098</u>	<u>\$ 18,301</u>

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at March 31, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	<u>\$ 19,138</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers during the fiscal year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Township contributes to the James Township Group Pension Plan, which is a defined contribution pension plan. The Plan is administered by the James Township Board.

Under the pension plan, all employees and elected officials are eligible to participate in the plan. Plan provisions are established and may be amended by the Township Board.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that might be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 1 year of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned. The Township is required to contribute 7.5% of the employee's base salary. Employees are required to contribute 7.5% of their base annual salary. Contribution requirements are established and may be amended by the Township Board.

During the plan year, the Township's required and actual contributions amounted to \$19,005 and the employees required and actual contributions amounted to \$19,005.

Post Employment Benefits:

The Township has no post employment benefits.

Deferred Compensation Plan:

The Township has no deferred compensation plan.

JAMES TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 10: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for future construction code activities – This reserve was created to indicate the portion of fund balance reserved for future construction code activities.

NOTE 11: PRIOR PERIOD ADJUSTMENTS

Accounting Change:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments* (Statement). The Township is required to implement the new requirements for the year ended March 31, 2005. The more significant of the changes to the financial statements as a result of the Statement are as follows:

For the first time, the financial statements will include:

- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental and enterprise funds.

As a result of implementing the Statement, the following restatements were made to beginning fund balance and net asset accounts:

Fund Financial Statements:

The beginning net assets of the enterprise fund were derived by aggregating the previously reported retained earnings and contributed capital of that fund.

Government-wide Financial Statements:

Beginning net assets for governmental activities was determined as follows:

Fund balance of general fund as of 3/31/04	\$ 1,513,026
Add: Governmental capital assets, including general fixed assets	1,120,588
Deduct: Accumulated depreciation as of 3/31/04 on above governmental capital assets	(513,996)
Deduct: Loans payable as of 3/31/04	(123,449)
Governmental net assets, restated, as of 3/31/04	<u>\$ 1,996,169</u>

REQUIRED SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2005

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 101,395	\$ 101,395	\$ 97,875	\$ (3,520)
Licenses and permits	18,610	18,610	20,067	1,457
State grants	135,500	135,500	143,595	8,095
Charges for services	96,100	96,100	100,635	4,535
Fines and forfeits	-	-	36	36
Interest and rents	12,300	12,300	27,537	15,237
Other revenue	800	800	3,846	3,046
Total revenues	364,705	364,705	393,591	28,886
Expenditures:				
<i>Current:</i>				
General government	130,285	129,385	109,381	(20,004)
Public safety	65,295	65,295	63,575	(1,720)
Public works	114,300	114,300	105,222	(9,078)
Community and economic development	13,000	13,900	12,028	(1,872)
Recreation and culture	9,325	9,325	7,579	(1,746)
Other	-	-	496	496
Capital outlay	29,500	44,000	20,390	(23,610)
Debt service				
Principal	12,100	12,100	11,931	(169)
Interest and charges	5,400	5,400	5,533	133
Total expenditures	379,205	393,705	336,135	(57,570)
Excess (deficiency) of revenues over expenditures	(14,500)	(29,000)	57,456	86,456
Net change in fund balance	(14,500)	(29,000)	57,456	86,456
Fund balance, beginning of year	1,513,026	1,513,026	1,513,026	-
Fund balance, end of year	\$ 1,498,526	\$ 1,484,026	\$ 1,570,482	\$ 86,456

OTHER SUPPLEMENTAL INFORMATION

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2005

Revenues:

Current taxes:

Property taxes	\$ 84,613
Administration fees	13,262
	<u>97,875</u>

Licenses and permits:

Business licenses and permits	170
Nonbusiness licenses and permits	10,350
CATV franchise fees	9,547
	<u>20,067</u>

State grants:

Summer tax collection reimbursement	2,558
Liquor license fees	531
State revenue sharing - sales tax	138,914
Metro Act	1,592
	<u>143,595</u>

Charges for services:

Refuse collection fees	98,375
Zoning/Variance application fees	2,260
	<u>100,635</u>

Fines and forfeitures:

Ordinance fines	36
	<u>36</u>

Interest and rents:

Interest	15,617
Rents	11,920
	<u>27,537</u>

Other revenue:

Special assessments - street lighting	550
Refunds and rebates	3,196
Other	100
	<u>3,846</u>

Total revenues	<u><u>\$ 393,591</u></u>
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JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2005

Expenditures:

General Government:

Board:

Personnel	\$ 10,530
Fringe benefits	790
Supplies	2,196
Dues	962
Education, training, and conferences	2,712
Publishing, printing, and advertising	45
Insurance	1,528
Other	873
	<u>19,636</u>

Supervisor:

Personnel	10,800
Fringe benefits	777
Mileage/Transportation	98
Education, training, and conferences	286
	<u>11,961</u>

Clerk:

Personnel	10,320
Fringe benefits	741
Dues	40
Education, training, and conferences	475
	<u>11,576</u>

Audit:

Contracted services	2,560
	<u>2,560</u>

Board of Review:

Personnel	1,485
Fringe benefits	112
Publishing, printing, and advertising	317
	<u>1,914</u>

Treasurer:

Personnel	11,520
Fringe benefits	831
Dues	50
Education, training, and conferences	1,418
	<u>13,819</u>

Assessor:

Supplies	407
Contracted services	13,537
Printing and publications	495
Other	52
	<u>14,491</u>

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2005

Expenditures, continued:

General Government, continued:

Elections:

Supplies	\$ 526
Contracted services	1,711
Education, training, and conferences	394
Printing and publications	203
Other	210
	<u>3,044</u>

Buildings and Grounds:

Personnel	5,182
Fringe benefits	389
Supplies	2,089
Telephone	3,009
Insurance	2,900
Utilities	7,574
Repairs and maintenance	8,038
	<u>29,181</u>

Attorney:

Contracted services	524
	<u>524</u>

Other General Government:

Other	675
	<u>675</u>

Total general government	<u>109,381</u>
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Public Safety:

Liquor Enforcement:

Personnel	648
Fringe benefits	49
	<u>697</u>

Fire:

Personnel	4,800
Fringe benefits	360
Supplies	1,821
Contracted services	7,000
Telephone	3,412
Mileage/Transportation	200
Dues	265
Education, training, and conferences	872
Insurance	12,630
Utilities	6,285
Repairs and maintenance	16,674
Other	2,574
	<u>56,893</u>

JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2005

Expenditures, continued:

Public Safety, continued:

Protective Inspection and Regulation:

Personnel	\$ 1,100
Fringe benefits	83
Supplies	6
Contracted services	4,600
Education, training, and conferences	196
	<u>5,985</u>
Total public safety	<u>63,575</u>

Public Works:

Drains - Public Benefit:

Contracted services	9,250
	<u>9,250</u>

Highways and streets:

Contracted services	238
	<u>238</u>

Street Lighting:

Utilities	3,166
	<u>3,166</u>

Refuse:

Contracted services	92,568
	<u>92,568</u>

Total public works	<u>105,222</u>
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Community and Economic Development:

Planning:

Personnel	8,075
Fringe benefits	606
Supplies	185
Contracted services	172
Dues	2,150
Education, training, and conferences	20
Publishing, printing, and advertising	222
	<u>11,430</u>

Zoning:

Personnel	410
Fringe benefits	31
Publishing, printing, and advertising	103
Other	54
	<u>598</u>

Total community and economic development	<u>12,028</u>
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JAMES TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2005

Expenditures, continued:

Recreation and Culture:

Parks and Recreation:

Personnel	\$ 3,495
Fringe benefits	262
Supplies	20
Publishing, printing, and advertising	58
Insurance	1,650
Repairs and maintenance	100
Other	1,994
	<u>7,579</u>

Total recreation and culture	<u>7,579</u>
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Other:

Payroll Taxes:

Payroll taxes	496
	<u>496</u>

Total other	<u>496</u>
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Capital Outlay:

General government	18,485
Public safety	792
Recreation and culture	1,113
	<u>20,390</u>

Debt Service:

Principal	11,931
Interest and fees	5,533
	<u>17,464</u>

Total expenditures	<u>\$ 336,135</u>
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JAMES TOWNSHIP

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2005

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>Ending Balance</u></i>
<u>Tax Collection Fund</u>				
Assets:				
Cash and cash equivalents	\$ 204,605	\$ 1,324,163	\$ 1,440,521	\$ 88,247
 Total assets	<u>\$ 204,605</u>	<u>\$ 1,324,163</u>	<u>\$ 1,440,521</u>	<u>\$ 88,247</u>
Liabilities:				
Accounts payable	\$ 76,529	\$ 202,213	\$ 191,057	\$ 87,685
Due to other governmental units	<u>128,076</u>	<u>1,121,950</u>	<u>1,249,464</u>	<u>562</u>
 Total liabilities	<u>\$ 204,605</u>	<u>\$ 1,324,163</u>	<u>\$ 1,440,521</u>	<u>\$ 88,247</u>



MANAGEMENT LETTER

To the Township Board
James Township, Michigan

We have completed our audit of the financial statements of James Township for the year ended March 31, 2005, and have issued our report thereon dated May 12, 2005. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of James Township taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses in the current year.

Status of Material Weaknesses Noted in the Prior Year:

Receipts:

We recommended that the Township Treasurer prepare a separate pre-numbered official receipt form for each receipt because separate forms were not being prepared for each payer as described in the Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury.

The Township has implemented this recommendation.

Hall Rental Account:

We recommended that checks from the hall rental cash account be approved and co-signed by the Township Treasurer. The bank statement should be received directly by the Township Treasurer or Clerk who should prepare the account reconciliation because there was a lack of segregation of duties.

Hall Rental Account, continued:

The checks from the hall rental cash account are now being approved and co-signed by the Township Treasurer; however, the office employee is still receiving the bank statement and preparing the bank reconciliation.

We recommend that the Township Treasurer or Clerk receive the bank statement directly from the bank and review the cancelled checks and any other items of correspondence for unusual items. The completion of this procedure should be appropriately documented by the Township Treasurer or Clerk.

Building Permit and Hall Rental Agreement Forms:

We recommended the building permit forms and hall rental agreement forms be pre-numbered.

This hall rental agreements are now pre-numbered.

Status of Other Items Noted in the Prior Year:

Credit Card and Investment Policies:

The Township has since adopted policies for both credit card usage and investments.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

May 12, 2005